

Rainy Day Divorce Fund: Secret Cash Stash Basics

Want to open up a secret bank account and deposit money in there for your protection in case of a divorce? Here's what you need to know before you do anything.

Assess your Level of Risk

Do you already work full-time and earn a fairly equal salary to your spouse? Or have you been a homemaker for the past 15 years without any other source of income other than your spouse's paycheck? Does your spouse give you free and open access to all of the accounts, or does your spouse avoid financial discussions at all costs? Do you trust your spouse's spending habits, or have disagreements regarding budgets and money been a sore point in your marriage?

Opening up your own bank account may be a very smart idea for many people, especially for those in a financially inferior position to their spouse, or for those people who are concerned their spouses will clear out the bank accounts in the face of a divorce. If you are in the position where your spouse could easily cut off your access at any time to money, you should be thinking of ways to protect yourself from this risk. Opening up a separate account may be one such way.

Finally, don't assume that "my spouse would never cut me off." Remember that emotions are high in a divorce, and the person you've been married to may turn into a complete stranger in the heat of the situation. Do not rely on your belief that your spouse will "be the same" in the midst of a divorce.

Consider the Consequences

There are going to be consequences for keeping a secret from your spouse, no matter what. You may feel guilty, and your spouse may become suspicious. This may cause even more tension in the marriage, and it may lead to additional marital problems. If your spouse finds out about this fund, what will be the reaction? Are you at risk for domestic violence? Will your spouse become less willing to negotiate with you during the divorce process? Make sure you have carefully thought through and are prepared to handle the consequences.

Keep Careful Records

Understand that even if the money is in your control, that does not legally make it your money. Since California is a community property state, the law presumes that anything acquired during marriage needs to be equally divided. Legally speaking, there is nothing wrong with having a separate bank account. You aren't required to keep joint accounts or file joint tax returns. You aren't even required to legally tell your spouse about your secret account, that is, until divorce proceedings start.

During the divorce proceedings, you are required to provide full disclosures of your finances, including the names of all bank accounts, the account balances, the date they were opened, and actual statements, among other information. In other words, you *will* have to disclose your secret divorce fund.

When your spouse discovers your secret account, you should expect that this discovery will trigger some unpleasant emotional responses. Your spouse will likely be more suspicious throughout the divorce process and less likely to trust you, as you've demonstrated an ability to hide information and money. Keeping a paper trail will enable you to answer your spouse's inevitable questions and hopefully allay your spouse's concerns.

Beware of Penalties

Your secret account only helps you out if you put money in it. While it may seem like a good idea to liquidate a stock or retirement account, think again. There are monetary penalties and tax consequences for transferring money out of a 401(k) or IRA account, and selling stock will result in capital gains tax. No idea what any of that means? If not, that's your sign that you should *not* be touching these accounts until you fully understand how they work and what your options are regarding those funds. Not only will you cause financial harm to yourself, any transaction that results in taxes will cause your spouse to know what you've done.

So What Should I do?

Only you can decide whether it's a good idea for you to open up a separate bank account and begin setting aside money for your rainy day divorce fund. There are certainly many very valid reasons why people do so – financial freedom, peace of mind, autonomy, and security. On the other hand, there are also consequences – breakdown of trust, guilt, anger, and resentment.

For more information regarding this issue, please [contact us](#) for help – we'd love to help you make the best decision for you and your family.